

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of May 8, 1970 from GEORGE D. MacKAY AND EDWARD E. CASTANS, Trustees under a Trust Agreement dated as of March 16, 1970 (the "Debtor"), whose post-office address is c/o United States Leasing Corporation, 1211 West 22nd Street, Oak Brook, Illinois 62521 to Penn Central Mutual Associates (the "Secured Party"), whose post-office address is 55 Public Square, Cleveland, Ohio, 44113.

The Debtor is justly and truly indebted to the Secured Party in the principal amount of \$1,472,631.46 as evidenced by the 10-1/8% Secured Note of even date herewith (the "Note") of the Debtor payable to the order of the Secured Party in said principal amount and expressed to mature on or before June 4, 1970. The Note and any and all extensions or renewals thereof in whole or in part and all other sums at any time due or owing from the Debtor to the Secured Party under the terms hereof are hereinafter referred to as the "indebtedness hereby secured".

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Note according to its tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Note and in this Security Agreement contained, does hereby convey, warrant, mortgage, assign, pledge, grant the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1 and 1.2 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

Section 1.1. Equipment Collateral. Collateral includes the equipment described in Schedule 1 attached hereto and made a part hereof (hereinafter referred to collectively as the "Equipment" and individually as "Item of Equipment") constituting part of the Equipment leased and delivered under that certain Equipment Lease dated as of March 16, 1970 (the "Lease") between the Debtor, as Lessor, and Canadian National Railway Company, as Lessee

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INTERSTATE COMMERCE COMMISSION

(the "Lessee"); together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment hereinabove described, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, together with all the rents, issues, income, profits and avails therefrom, including any proceeds of the sale thereof pursuant to Section 7 of the Agreement to Acquire and Lease dated as of March 16, 1970 (the "Acquisition Agreement") between the parties to the Lease.

Section 1.2. Other Collateral. Collateral also includes the Lease and all rents and other sums due and to become due thereunder including any and all extensions or renewals thereof insofar as the same cover or relate to the Equipment (excepting and reserving, however, the initial installment of Fixed Rental) and all right, title and interest of the Debtor under the Acquisition Agreement including, without limitation, the sums due or to become due from the Lessee on account of any purchase of the Equipment pursuant to Section 7 of the Acquisition Agreement.

Section 1.3. Limitations to Security Interest. The Security Interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee under the Lease, and (b) the lien of current taxes and assessments not in default, or, if delinquent, the validity of which is being contested in good faith.

Section 1.4. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

SECTION 2. COVENANTS AND WARRANTIES OF THE TRUST.

The Debtor covenants, warrants and agrees as follows:

Section 2.1. Warranty of Title. The Debtor has the right, power and authority under the Trust Agreement to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only the right, title and interest of the Lessee under the Lease and of persons claiming by, through or under the Lessee).

Section 2.2. Further Assurances. The Debtor will, at its own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired.

Section 2.3. Power of Attorney in respect of the Lease. Debtor does hereby irrevocably constitute and appoint the Secured Party, its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Section 1.1, Section 1.2 and Section 1.3 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby. The Secured Party shall defend, indemnify and save harmless the Debtor, its successor, agents and assigns from and against any claim, cause or action, damage, liability, cost or expense (including attorneys' fees and costs in connection therewith) incurred as a result of any action taken by the Secured Party under this Section 2.3 which is wrongful or which exceeds the power and authorities herein granted.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

Section 3.1. Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1.

SECTION 4. DEFAULTS AND OTHER PROVISIONS.

Section 4.1. Events of Default. The term "event of default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of the principal of, or interest on, the Note when and as the same shall become due and payable, whether at the due date thereof or by acceleration or otherwise;

(b) An event of default as set forth in Section 14 of the Lease or a default on the part of the Lessee in the performance of any of its covenants under the Acquisition Agreement.

Section 4.2. Secured Party's Rights. The Debtor agrees that when any "event of default" as defined in Section 4.1 has occurred and is continuing, but subject always to Section 5 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party may, by notice in writing to the Debtor declare the entire unpaid balance of the Note to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of said Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash

or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) The Secured Party may proceed to protect and enforce this Security Agreement and said Note by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or, subject to the provisions of Section 6 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper legal or equitable remedy available under applicable law;

(e) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Secured Party may proceed to exercise all rights, privileges and remedies of the Lessor under the Lease, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

Section 4.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Note, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Note and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Note including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

Section 4.4. Waiver by Debtor. The Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

Section 4.5. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

Section 4.6. Application of Sale Proceeds. The purchase money proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) To the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Note, and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) To the payment to the holder or holders of the Note of the amount then owing or unpaid on the Note for principal and interest;

(c) To the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

Section 4.7. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of the Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of the Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of the Note be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 5. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement, the Note, the Lease, any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, neither the Secured Party nor the holder of the Note nor their respective successors or assigns shall have any claim, remedy or right to proceed (at law or in equity) against the Debtor in their respective individual capacities or against Manufacturers and Traders Trust Company (the "Trustor") the Trustor under the Trust Agreement referred to in the introductory paragraph of this Security Agreement, or United States Leasing International, Inc., for any deficiency or any other sum owing on account of the indebtedness evidenced by the Note or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever from any source other than the Collateral, and the Secured Party by the execution of the Loan Agreement, and the holder of the Note by acceptance thereof waive and release any personal liability of the Debtor in their respective individual capacities, the Trustor and United States Leasing International, Inc., for and on account of such indebtedness or such liability; and the Secured Party and the holder of the Note agree to look solely to the Collateral, for the

payment of said indebtedness or the satisfaction of such liability, provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party to accelerate the maturity of the Note upon a default thereunder, to bring suit and obtain a judgment against the Debtor on the Note (provided that neither the Debtor in their respective individual capacities nor the Trustor nor United States Leasing International, Inc., shall have any personal liability on any such judgment and the satisfaction thereof shall be limited to the Collateral) or to exercise all rights and remedies provided under this Security Agreement or otherwise realize upon the Collateral.

SECTION 6. MISCELLANEOUS.

Section 6.1. Successors and Assigns. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

Section 6.2. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid, provided that nothing contained in this Section 6.2 shall be construed to be derogation of any rights or immunities of the Debtor in their respective individual capacities or the Trustor or United States Leasing International, Inc., under Section 5 hereof, or to amend or modify any limitations or restrictions of the Secured Party or the holder of the Note or their respective successors or assigns under said Section 5.

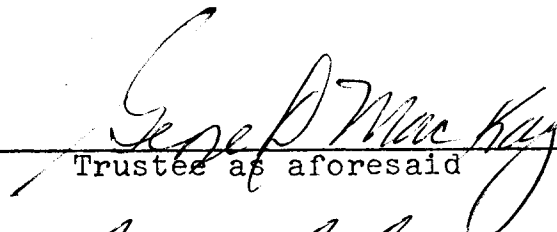
Section 6.3. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered, postage prepaid, addressed to the parties at their respective addresses set forth on page one hereof, or as to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other party.

Section 6.4. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.


Section 6.5. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

Section 6.6. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed, all as of the day and year first above written.



Trustee as aforesaid



Trustee as aforesaid

STATE OF ILLINOIS)
) SS
COUNTY OF DU PAGE)

On this 7th day of May , 1970, before me
personally appeared George D. MacKay, to me known to be the person
described in and who executed the foregoing instrument and he
acknowledged that he executed the same as his free act and deed.

Phyllis Gallagher
Notary Public

(Seal)

My commission expires:

My Commission Expires March 10, 1974

STATE OF ILLINOIS)
) SS
COUNTY OF DU PAGE)

On this 7th day of May , 1970, before me
personally appeared Edward E. Castans, to me known to be the person
described in and who executed the foregoing instrument and he
acknowledged that he executed the same as his free act and deed.

Phyllis Gallagher
Notary Public

(Seal)

My commission expires:

My Commission Expires March 10, 1974

DESCRIPTION OF EQUIPMENT

Eighty-five 100-ton 4350 cu. ft. steel-covered
hopper cars, serial numbers:

CN-377069
CN-377070
CN-377072
CN-377073
CN-377082 - CN-377088, both inclusive
CN-377090 - CN-377095, both inclusive
CN-377000 - CN-377005, both inclusive
CN-377007 - CN-377010, both inclusive
CN-377014 - CN-377048, both inclusive
CN-377050 - CN-377056, both inclusive
CN-377058 - CN-377067, both inclusive
CN-377075 - CN-377080, both inclusive